



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

*an equal amount, thus discriminating between shippers and preventing competition.*

*V. Some of the conference lines do not observe the customary conference usages in respect to the equal treatment of shippers in rates and special accommodations.*

*VI. The policy of many conference lines not to publish their tariffs or classifications, although such publication would prove a great convenience to shippers and would constitute a guarantee that rates were not altered or articles transferred from one class to another, for the benefit of favored shippers.*

*VII. That deferred rebate systems are objectionable and should be prohibited for the following reasons:*

(1) By deferring the payment of the rebate until three or six months following the period to which the rebate applies ship owners effectively tie the merchants to a group of lines for successive periods. In this connection it is argued that the ordinary contract system does not place the shipper in the position of continual dependence that results from the deferred rebate system.

(2) That the system is unnecessary to secure excellence and regularity of service, a considerable number of conferences being operated to-day without this feature.

## APPENDIX II

### METHODS OF CONTROLLING COMPETITION BETWEEN DOMESTIC CARRIERS BY WATER

(Reprinted from pp. 409-412 of the Report on "Steamship Agreements and Affiliations in the American Foreign and Domestic Trade.")

#### METHODS OF CONTROL SUMMARIZED

The numerous methods of controlling competition between carriers by water in the domestic trade, referred to in the preceding pages, may be grouped under three headings, viz., (1) control through the acquisition of water lines or the ownership of accessories to the lines; (2) control through agreements or understandings; and (3) control through special practices. Briefly summarized, the various methods adopted for the control of competition are the following:

*I. Control through the acquisition of water lines or the ownership of accessories to the lines:*

(1) Direct railroad ownership and operation of water lines, the railroad's marine interests not being incorporated separately.

(2) Railroad ownership through subsidiaries, or subsidiaries of subsidiaries, either rail or water.

(3) Control by lease, especially in the case of canals.

- (4) Ownership of boat lines by other boat lines, or by holding companies.
- (5) Joint control of a water line by several railroads.
- (6) Control of one water carrier over another, or of a railroad over a water line, indicated by one or more officers in common or by common representation on the board of directors.
- (7) Control indicated by a community of interest through influential stockholders.
- (8) Railroad control of competing water lines or canals through the ownership or control of forwarding companies, thus diverting traffic to their own rail or water lines by refusing to exchange through freight with independent water lines. The latter are thus forced to depend upon local business, which is too limited to maintain the efficiency of the line.
- (9) Railroad or steamship company ownership of exclusive terminal facilities.

(10) Ownership or control of bulk carriers by producing and trading companies, which, while controlling a large portion of the traffic in a given commodity, also act as common carriers. These companies may also charter boats of independent lines on such favorable terms as to induce such lines to observe a certain policy in the fixing and maintenance of rates.

#### II. *Control through agreements or understandings:*

(11) Through agreements between water lines to divide the territory or charge certain rates. Unlike the practice in the foreign trade, such agreements are few in the domestic trade, the desired elimination of objectionable competition being effected through any one or more of the other methods.

(12) Through traffic associations, participated in by railroads and water lines, which publish tariffs but do not definitely bind the lines, i.e., there is no express agreement to observe the rates. While the water lines are emphatic in reporting that their affiliation with existing tariff associations or conferences is simply for the purpose of discussion and interchange of information and opinions on matters of mutual interest, and that their rights of separate and independent action are in no way restricted, the testimony shows that the rates and divisions of rates are determined at these conferences in such a manner as to cause no discrimination against any of the members and to place the rate divisions for all lines via one gateway on the same basis.

(13) By requiring the unanimous consent of the existing members in certain traffic associations or conferences before admission can be secured by an outside line. Not to be granted membership in such associations places the outside line at the disadvantage of publishing tariffs at its own expense and of not being able to enjoy the same through rail-and-water rates as the conference lines.

(14) Agreements or understandings not to charter or sell vessels to certain lines or for certain trades.

#### III. *Control through special practices:*

(15) A railroad obtains control of a water line or canal and (1) fails to maintain the efficiency of the same, thus making water transportation so expensive as to eliminate competition, or (2) fixes rates so high as to preclude its use or (3) abandons the property.

(16) A railroad charters space from a competing water line, although not using it, thus depriving shippers of space and making them dissatisfied with the water-line service.

(17) A railroad or its controlled water line or terminal company holds all the available docks and shedded piers and refuses access to an independent line for the purpose of discharging and receiving cargo, or allows access only upon payment of unreasonable charges. The independent line is thus required to unload at some other dock and team the goods to and from the railroad station.

(18) A railroad or its controlled water line owns the available water frontage which it refuses to utilize, at the same time refusing to release the same by sale or otherwise.

(19) A railway-water line or large all-water line cuts rates unduly (either by putting "fighting ships" in the trade or by having its regular boats quote unremunerative rates) and when competition has been destroyed advances the rates even higher than they had been originally. While cutting rates the large company recoups itself out of rates at noncompetitive points or on through business secured from railroads on a favorable basis.

(20) Railroads manipulate rates so as to make the differential between their all-water, all-rail, and rail-water routes ineffectual as far as water transportation is concerned. The only inducement to use the water route is economy, and if the differential between the rail and water rates is made such as to just counterbalance the disadvantages of the water route the railroads will secure the business because, all things considered, their service is preferred.

(21) Water lines make contracts with shippers whereby rebates or special rates are granted if the shipper transports his entire product by a given line. Such contracts with important shippers greatly handicap independent lines in getting sufficient freight, especially if the contracting line spreads the report that the independent line will be allowed to remain in business only a short time. The important shippers, their business once obtained, can be held in line or disciplined.

(22) Large established water lines bring influence to bear on marine insurance underwriters whereby the independent line can secure only a less favorable rate, having due regard for the class of vessel, than its large and well-established competitors, thus forcing the independent carrier to equalize the extra cost of insurance in its rates to shippers.

(23) Railroads or steamship combinations can allow competing lines a certain amount of freight with the implied knowledge on the part of the competing line that the railway or steamship combination possesses the power to withdraw this allotted freight if the competing line shows aggressiveness or is unwilling to conform to the line of conduct desired. Often valuable season contracts are made with independent water lines, which these lines do not wish to lose by competing for freight.

(24) Railroads may divert bulk traffic from watercourses by granting special commodity rates "in transit," such as "milling in transit" and "compressing in transit."

(25) Railroads can give access to docks to preferred water lines with

which they have special arrangements, thus forcing shippers by other water lines to pay a series of charges for switching, docking, and unloading, and putting them to much inconvenience. In effect it means that the shipper who wishes the proper service must use the water line preferred by the railroad.

(26) Railroads may refuse to issue through bills of lading except to favored lines, thus preventing independent lines from obtaining transfer traffic. To deprive an independent line of the advantages accruing from a joint rate arrangement with railroads places the line in a defenseless position as compared with competing lines not thus handicapped. Without such an arrangement the independent line can not secure interior freight and is limited largely to port-to-port traffic, which is too small in volume to support the line. On the other hand, the water line having the prorating arrangement can cut rates to an unremunerative basis on the port-to-port traffic, thereby eliminating its less fortunate competitor, and recoup its losses in large measure out of the profits secured on the through business.

(27) Railroads charge more for the local haul from Buffalo to seaboard points, for example, on grain that is taken to Buffalo by boat than the proportionate share of the all-rail haul from Chicago to the seaboard, thus making the through rail-water route unprofitable as compared with the all-rail route. The local rate for the eastern rail haul is so high as to leave little to the independent water carrier for its local lake haul.

(28) Railroads can greatly reduce rates between those points only where they are competing with an independent water carrier. Since most of the traffic of a large railroad system is free from water competition, it can afford to lower the rates on the competitive traffic to an unremunerative basis without appreciably affecting the earnings of its entire system.

### APPENDIX III

#### RECOMMENDATIONS OF THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

(Reprinted from pp. 415-424 of Volume IV of the "Proceedings of the Committee on the Merchant Marine and Fisheries in the Investigation of Shipping Combinations, under House Resolution 587.")

##### RECOMMENDATIONS RELATING TO CARRIERS BY WATER ENGAGED IN THE FOREIGN TRADE

The facts contained in the foregoing report show that it is the almost universal practice for steamship lines engaging in the American foreign trade to operate, both on the in-bound and out-bound voyages, under the terms of written agreements, conference arrangements or gentlemen's understandings, which have for their principal purpose the regulation of competition through either (1) the fixing or regulation of rates, (2) the apportionment of traffic